



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Expenditure Limitation Report

Maricopa County

Year Ended June 30, 2003



Debra K. Davenport
Auditor General

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Maricopa County
Report on Audit of Annual Expenditure Limitation Report
Year Ended June 30, 2003

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

We have audited the accompanying Annual Expenditure Limitation Report of Maricopa County for the year ended June 30, 2003. This report is the responsibility of the County's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of Maricopa County for the year ended June 30, 2003, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Board of Supervisors, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

May 26, 2004

Maricopa County
Annual Expenditure Limitation Report—Part I
Year Ended June 30, 2003

1. Economic Estimates Commission expenditure limitation	\$710,632,772
2. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>710,632,771</u>
3. Amount under the expenditure limitation	<u><u>\$ 1</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Name and Title: Tom Manos, Chief Financial Officer

Telephone Number: (602) 506-3561 Date: May 26, 2004

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Part II
Year Ended June 30, 2003

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation, Line D	\$ 1,184,126,190	\$ 704,245,326	\$ 58,050,914	\$ 9,352,697,658	\$ 11,299,120,088
B. Less exclusions claimed:					
Debt service requirements on bonded indebtedness (Note 2)	39,886,598				39,886,598
Proceeds from other long-term obligations (Note 3)	13,321,288	2,606,367			15,927,655
Debt service requirements on other long-term obligations (Note 4)	4,325,461	5,463,268	72,273		9,861,002
Dividends, interest, and gains on the sale or redemption of investment securities (Note 5)	21,736,687	1,016,479	718,643		23,471,809
Trustee or custodian (Note 6)	38,659,236			9,352,697,658	9,391,356,894
Grants and aid from the federal government (Note 7)	127,170,634	7,749,036			134,919,670
Amounts received from the State of Arizona (Note 8)	2,329,394	4,320,196			6,649,590
Quasi-external interfund transactions (Note 9)	52,522,900	80,442,253	502,435		133,467,588
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 10)	171,303,888				171,303,888
Highway user revenues in excess of those received in fiscal year 1979-80 (Note 11)	74,345,251				74,345,251
Contracts with other political subdivisions (Note 12)	30,757,317	421,539,587			452,296,904
Refunds, reimbursements, and other recoveries (Note 13)	781,300	114,213,939			114,995,239
Amounts received for distribution to school districts (Notes 14)	14,031,940				14,031,940
Prior years carryforward (Note 15)	5,973,289				5,973,289
Total exclusions claimed	<u>597,145,183</u>	<u>637,351,125</u>	<u>1,293,351</u>	<u>9,352,697,658</u>	<u>10,588,487,317</u>
C. Amounts subject to the expenditure limitation	<u>\$ 586,981,007</u>	<u>\$ 66,894,201</u>	<u>\$ 56,757,563</u>	<u>\$ -</u>	<u>\$ 710,632,771</u>

See accompanying notes to report.

Maricopa County
Annual Expenditure Limitation Report—Reconciliation
Year Ended June 30, 2003

Description	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses reported within the fund financial statements	\$ 1,380,395,860	\$ 785,179,199	\$ 58,547,700	\$ 9,352,697,658	\$ 11,576,820,417
B. Subtractions:					
Items not requiring use of working capital:					
Depreciation		14,408,731	666,681		15,075,412
Loss on disposal of capital assets			350,212		350,212
Bad debt expense (Note 16)		77,565,540			77,565,540
Claims that were reported but unpaid, or incurred but not reported (Note 17)			19,090,042		19,090,042
Expenditures of separate legal entities established under Arizona Revised Statutes (Note 18)	83,318,854				83,318,854
Long-term care contributions withheld by the State Treasurer (Note 19)	<u>112,950,816</u>				<u>112,950,816</u>
Total subtractions	<u>196,269,670</u>	<u>91,974,271</u>	<u>20,106,935</u>		<u>308,350,876</u>
C. Additions:					
Principal payments on long-term debt (Note 20)		3,835,340	65,147		3,900,487
Acquisition of capital assets		7,205,058	1,478,172		8,683,230
Claims paid in the current year but reported as expenses in previous years (Note 17)			18,066,830		18,066,830
Total additions		<u>11,040,398</u>	<u>19,610,149</u>		<u>30,650,547</u>
D. Amounts reported on Part II, Line A	<u>\$ 1,184,126,190</u>	<u>\$ 704,245,326</u>	<u>\$ 58,050,914</u>	<u>\$ 9,352,697,658</u>	<u>\$ 11,299,120,088</u>

See accompanying notes to report.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 1 - Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the uniform expenditure reporting system (UERS), as required by Arizona Revised Statutes §41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on Part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds, Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds, and the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds.

Note 2 - The exclusion claimed for debt service requirements on bonded indebtedness in the Governmental Funds consists of principal retirement and interest expense.

Note 3 - The exclusion claimed for proceeds from other long-term obligations in the Governmental Funds consists of expenditures made from the proceeds of capital leases and lease revenue bonds issued in prior years and reported as capital outlay expenditures. The exclusion claimed for proceeds from other long-term obligations in the Enterprise Funds consists of certificates of participation and lease revenue bond proceeds spent for the acquisition of capital assets and reported as purchases of capital assets on the Statement of Cash Flows.

Note 4 - The exclusion claimed for debt service requirements on other long-term obligations consists of certificates of participation principal and interest payments of \$4,325,461 reported as general government, public safety, and health, welfare, and sanitation expenditures in the Governmental Funds; \$493,433, \$828,151, and \$2,513,756 reported as installment purchase contracts payments, certificates of participation payments, and lease revenue bond payments, respectively, on the Statement of Cash Flows, and \$1,627,928 reported as interest expense in the Enterprise Funds; and \$65,147 reported as capital lease payments on the Statement of Cash Flows and \$7,126 reported as interest expense in the Internal Service Funds.

Note 5 - The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$21,736,687 in the Governmental Funds consists of interest on

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2003

investments of \$ 9,507,948, which was reported as miscellaneous revenues, and interest on delinquent taxes of \$12,228,739, which was reported as taxes revenues. Remaining excludable revenues of \$1,750,743 reported as miscellaneous revenues were unexpended and have been carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$1,016,479 in the Enterprise Funds consists of interest on investments, which was reported as investment income. Remaining excludable revenues of \$1,578,045 reported as investment income were unexpended and have been carried forward to future years.

The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$718,643 in the Internal Service Funds consists of interest on investments, which was reported as investment income.

Note 6 - The exclusion claimed for trustee or custodian in the Governmental Funds consists of \$38,659,236 in contributions by the County to the Arizona Health Care Cost Containment System (AHCCCS) for acute care. In the Fiduciary Funds, the exclusion of \$9,352,697,658 was reported as distributions to participants on the Statement of Changes in Fiduciary Net Assets.

Note 7 - The exclusions claimed for grants and aid from the federal government of \$134,919,670 consist of the following:

Governmental Funds—\$127,170,634. This amount consists of federal grants of \$92,432,031 reported as intergovernmental revenues, and disproportionate share settlements of \$74,245,200, of which \$39,506,597 was unexpended and has been carried forward to future years.

Enterprise Funds—\$7,749,036. This amount consists of \$2,639,236 of federal grants reported as grant revenues, and \$5,109,800 of disproportionate share settlements reported as miscellaneous revenues.

Note 8 - The exclusions claimed for amounts received from the State of Arizona of \$6,649,590 consist of the following:

Governmental Funds—\$2,329,394. This amount consists of \$2,936,602 reported as intergovernmental revenues. Of this amount, excludable grants of \$607,208 were unexpended and have been carried forward to future years.

Enterprise Funds—\$4,320,196. This amount was reported as grant revenues.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 9 - The exclusion claimed for quasi-external interfund transactions of \$52,522,900 in the Governmental Funds represents internal service funds charges that was reported as current expenditures. In the Enterprise Funds, the \$80,442,253 consists of \$49,447,851 reported as net patient service revenues and \$20,094,148 reported as charges for services revenues both of which are Medical Center Fund recoveries received from other county funds, and \$10,900,254 that represents internal service funds charges that was reported as operating expenses. In the Internal Service Funds, the \$502,435 represents charges between internal service funds that was reported as operating expenses.

Note 10 - The exclusion claimed in the Governmental Funds for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements of \$171,303,888 consists of capital outlay expenditures for the construction of new jail facilities made from the accumulation of sales tax revenues approved and exempted from the expenditure limitation by county voters.

Note 11 - The exclusion claimed in the Governmental Funds for highway user revenues in excess of those received in fiscal year 1979-80 is derived by subtracting the 1979-80 base year highway user fees of \$14,879,726 from the total of highway user revenues and vehicle license revenues received of \$89,224,977, which was reported as intergovernmental revenues.

Note 12 - The exclusions claimed for contracts with other political subdivisions of \$452,296,904 consist of the following:

Governmental Funds—\$30,757,317. This amount consists of \$30,681,733 reported as intergovernmental revenues and \$15,540,587 reported as transfers in. Of these amounts, \$15,465,003 was unexpended and has been carried forward to future years.

Enterprise Funds—\$421,539,587. This amount consists of \$407,717,343 reported as charges for services revenues, \$13,817,127 reported as net patient service revenue, and \$6,333,433 reported as transfers in. Of these amounts, \$6,328,316 was unexpended and has been carried forward to future years.

Note 13 - The exclusion claimed for refunds, reimbursements, and other recoveries of \$781,300 in the Governmental Funds consists of various expenditure reimbursements reported as intergovernmental revenues.

The exclusion claimed for refunds, reimbursements, and other recoveries of \$114,213,939 in the Enterprise Funds consists of Medicare reimbursements of \$40,434,266, AHCCCS reimbursements of \$55,706,882, health maintenance organizations reimbursements of \$17,309,378, and Champus reimbursements of \$337,473 reported as net patient service revenue, and intern reimbursements of \$425,940 reported as miscellaneous revenues.

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 14 - The exclusion claimed in the Governmental Funds for amounts received for distribution to school districts consists of federal, state, and county revenues of \$14,031,940 reported as education expenditures for operating accommodation schools.

Note 15 - Prior years carryforward in the Governmental Funds consists of constitutionally excludable revenues unexpended in the year of receipt that have been accumulated and were expended in the current year as follows:

Description	
Grants and aid from the federal government	\$5,701,609
Highway user revenues in excess of those received in fiscal year 1979-80	266,823
Contracts with other political subdivisions	<u>4,857</u>
Total prior years carryforward expended	<u>\$5,973,289</u>

Note 16 - The subtraction of \$77,565,540 for bad debt expense in the Enterprise Funds was reported as provision for doubtful accounts of \$56,179,229 and indigent patient direct write-offs of \$21,386,311.

Note 17 - The subtraction of \$19,090,042 for claims that were reported but unpaid or incurred but not reported consists of the estimated costs of claims incurred and expensed in the current year but not yet paid in the Internal Service Funds. The addition of \$18,066,830 for claims paid in the current year consists of cash payments in the current year for claims recognized as an expense in previous years in the Internal Service Funds.

Note 18 - The subtraction of \$83,318,854 for separate legal entities established under Arizona Revised Statutes consists of expenditures of special assessment districts included within the County's reporting entity, but not included in the Economic Estimates Commission base limit calculations, and are reported in the Governmental Funds category in the fund financial statements:

Special Assessment Districts	
Public safety	\$23,723,677
Culture and recreation	13,383,154
Principal	1,066,090
Interest	3,542,490
Capital outlay	<u>41,603,443</u>
Total	<u>\$83,318,854</u>

Maricopa County
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2003

Note 19 - The amount of transaction privilege taxes withheld by the State Treasurer to meet the County's share of long-term care costs was reported as a revenue and an offsetting expenditure in the County's Governmental Funds. Consequently, this expenditure has been subtracted on the Reconciliation.

Note 20 - The addition of \$3,835,340 for principal payments on long-term debt in the Enterprise Funds consists of certificates of participation payments of \$828,151, lease revenue bond payments of \$2,513,756, and installment purchase contract payments of \$493,433. The addition of \$65,147 for principal payments on long-term debt in the Internal Service Funds consists of capital lease payments.